Don't Mix Business with Politics?

Understanding Stakeholder Reactions to Corporate Political Activism

A growing number of corporations and CEOs take stands on socio-political issues such as gun ownership or immigration. Based on an empirical study including 488 respondents assessing 60 real cases of corporate political activism of the last years, this paper explains how practitioners can maximize positive stakeholder reactions in doing so.

Moritz Appels, Dr. Laura Marie Edinger-Schons, Daniel Korschun, PhD, Luisa Balk

Moritz Appels
Doctoral Student at the Chair of Corporate Social Responsibility, University of Mannheim, Germany
mappels@mail.uni-mannheim.de

Dr. Laura Marie Edinger-Schons
Professor of Corporate Social Responsibility at the Chair of Corporate Social Responsibility
Tel.: +49 (0) 621 181-1610
schons@bwl.uni-mannheim.de

Daniel Korschun, PhD
Associate Professor of Marketing at the LeBow College of Business, Drexel University, Philadelphia, USA
dek46@drexel.edu

Luisa Balk
Student at the Chair of Corporate Social Responsibility, University of Mannheim, Germany
lbalk@mail.uni-mannheim.de

Traditional managerial wisdom suggests that companies should keep their political views private. Yet, recent years have seen many companies abandon that approach, taking public stands on even the most divisive socio-political issues. To name only a few of the most prominent examples, Apple's Tim Cook advocated against LGBTQ discrimination (Pressman, 2017), Dick's Sporting Goods supported more rigorous gun control (Hsu, 2019), and Joe Kaeser of Siemens condemned the anti-immigration rhetoric of a German right-wing politician (Goldschmidt, 2018).

Some executives assert that taking an occasional stand is simply the right thing to do. In an open letter, Levi-Strauss CEO Chip Bergh writes, "We can't take on every issue ... [but] business has a critical role to play and a moral obligation to do something." But just as critical is how a company's stakeholders will react. And those stakeholders increasingly expect companies to be vocal. Polling suggests that expectations are not only widespread but continue to rise. According to the Edelman Trust Barometer (Edelman, 2019), the percentage of people expecting CEOs to take a lead on political change rather than waiting for governments to impose it has increased from 64% to 76% within the past year.

Notwithstanding these expectations, most mangers intuit, and rightly so, that taking such stands also may involve considerable risk. After Chick-Fil-A's Dan Cathy mentioned his opposition to same-sex marriage in a radio interview, the chain of restaurants found supporters, but also faced boycotts from customers who felt alienated by his comments (Hsu, Hautala, & D'Urso, 2012). Similarly, after Nike launched a campaign featuring Colin Kaepernick, the American football quarterback who had launched a politi-cal firestorm by kneeling during the national anthem at games to protest police violence against African Americans, its social media feed was filled with messages of support and outrage in equal parts; some posted videos setting their shoes on fire in protest.

As a recent phenomenon, these reactions of stakeholders to corporate political activism (CPA) have remained somewhat of a mystery. Thus, companies and CEOs are facing expectations to take over a new socio-political role which they may not feel adequately prepared for. The present article reports findings of a quantitative study which can enlighten managers who hope to understand what stakeholders really look for from companies that become activists in the political sphere. The findings suggest that a significant extent of stakeholders' reactions to CPA is driven by the choice of an issue as well as the design of the communication. Specifically, the findings suggest that by adopting a leadership position on a controversial issue in a way that is consistent with the company's values and by openly communicating the underlying motives, activist firms can garner their stakeholders' support.

Corporate Political Activism: A Nascent Phenomenon

In the academic literature, corporate political activism is the "expression [by a corporation or its representatives] of a stance on some matter of current social or political debate, with the primary aims of visibly weighing in on the issue and influencing opinions in the espoused direction" (Hambrick & Wowak, 2019, p. 4).

Such activism can take a number of forms. It could involve an advertising campaign such as the Super Bowl advertising of American retailer Lumber

88, which provided a heartfelt story sympathetic to immigrants to the United States from Mexico, or Gillette's "The Best Men Can Be" campaign addressing toxic masculinity.

It might also involve more formal position statements by company executives. This was the case when Apple CEO Tim Cook wrote a piece in The Washington Post to oppose Indiana's Religious Freedom Restoration Act (RFRA). The RFRA allowed businesses in Indiana to cite religious freedom as a defensible reason to deny service to a customer, which Cook and other corporate leaders deemed discriminatory towards the LGBTQ community (Pressman, 2017).

Still other cases of CPA take place through exercising the company's economic power. Bill Oesterle of Angie's List used this tactic when he announced that the company would cancel a planned expansion in Indiana over the RFRA. The RFRA case also sheds light on the societal significance of CPA. A subsequent amendment which ensures that no discrimination against LGBTQ-people can be justified based on the RFRA has, at least in part, been credited to these (and other) activist business leaders' vocal criticism.

Moreover, CPA is by no means restricted to the liberal political spect-

rum (see the introductory example of Chick-fil-A) or to the United States. For example, in Germany, Einhorn Condoms successfully organized a petition to eliminate the luxury goods tax on women's hygiene products. Nalick, Josefy, Zardkoohi, and Bierman (2016) provide further examples for corporate activism from around the world.

Stakeholder Reactions to Corporate Political Activism

What does extant academic research tell us about stakeholder reactions to corporate political activism? Perhaps the closest analog is the literature on corporate political influence via lobbying and campaign contributions (Hillman, Keim, & Schuler, 2004; Lux, Crook, & Woehr, 2011). However, these activities occur largely behind closed doors. CPA is distinct from these activities, because, by design, it is highly salient to the general public and sometimes vividly discussed in the media (Hambrick & Wowak, 2019; Nalick et al., 2016).

Therefore, the literature on corporate social responsibility (CSR) might, due to its emphasis on stakeholder perceptions, be a more suitable springboard to understanding reactions to CPA. Over the recent decades, this research suggests that stakeholders generally prefer

companies that take actions on topics of societal importance (Bhattacharya & Sen, 2003; Peloza & Shang, 2011). However, CSR activities such as donations to environmental causes are historically uncontroversial and generally perceived as beneficial to society. In contrast, firms that become politically activist make statements on socio-political issues which are "divisive, unsettled, emotionally charged, or contested" (Nalick et al., 2016, p. 384) and involve moral values bound to personal feelings that may not be universally supported.

Activism on these issues may evoke polarized affective reactions, ranging from animosity to admiration. Those stakeholders who agree with a company's position might experience exhilaration and pride in its public expression, while stakeholders who disagree could be repelled (Hambrick & Wowak, 2019). Extant research indicates that stakeholders exhibit strong preferences for those companies which they feel politically aligned with, interact with them more often, and avoid companies of the opposite political camp (DellaPosta, Shi, & Macy, 2015; Khan, Misra, & Singh, 2013). Thus, CPA "can have a major effect – for good or for ill" (Hambrick & Wowak, 2019, p. 19) depending on how carefully it has been adjusted to a company's core stakeholders. In Table 1, the literature on both positive and negative expected outcomes of CPA is summarized.

In sum, CPA can be risky but seems to develop into an omnipresent expectation that companies face. In the future, it might even be difficult to remain on a political "neutral ground" (Korschun & Smith, 2018). Indeed, Korschun, Aggarwal, and Rafieian (2019) provide experimental evidence that refraining from CPA can put off consumers if the company has previously positioned itself as strongly driven by moral values.

Table 1: Consequences of Corporate Political Activism

Positive Outcomes / Chances	Negative Outcomes / Risks
• Increased stakeholder identification	• Decrease in stakeholder identification
• Increased sales, loyalty, and positive word-of-mouth marketing	• Boycotts, protests, and negative word-of-mouth marketing
• Increased motivation, employee retention, and employer attractiveness	• Decreased motivation and politically motivated turnovers
• Anticipated change in legislation	• Loss of potential social ties with opposed politicians
• Adoption of company position in stakeholders' beliefs	• Loss of public legitimacy

Source: pted from Hambrick & Wowak, 2019; Nalick et al., 2016.

Fig. 1: Antecedents of Participants' Attitude Towards the Activist Company
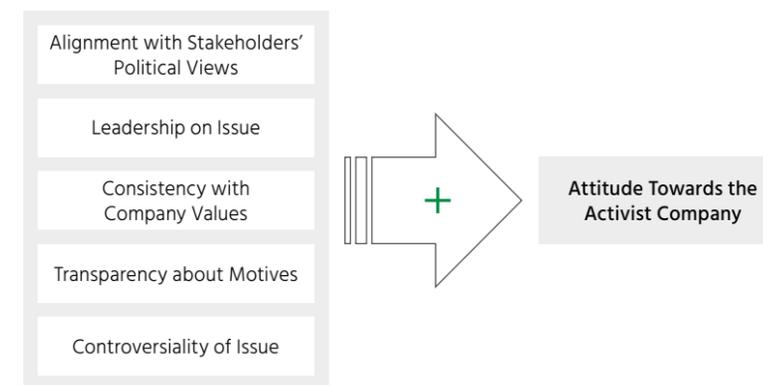
Source: Own illustration.

These new consumer expectations pose a challenge as, in the past, taking a political stand has been a taboo for many companies. Even more so, research warns that even when stakeholders generally agree with a company's social endeavors, they can be turned off if they feel that they are poorly enacted (Peloza & Shang, 2011). Therefore, engaging in such new behaviors requires a clear understanding of what the company wants to stand for and how communications can be designed to avoid backlashes. If firms wish to take first steps into the direction of CPA, it is pivotal to understand how to minimize negative and maximize positive stakeholder outcomes. The following study aims to provide some advice in this regard.

Methodological Approach

Leveraging the psychological approach often used in the CSR literature, this study investigates how stakeholders interpret CPA. To do so, the authors conducted an online survey amongst 488 US-based participants. The sample

represented a spectrum of political leanings (40.6% self-identified as politically left leaning, 26.4% as "middle of the road" and 33% as politically right leaning). Participants had an average age of 37 and were slightly more likely to report being female (55.9 %).

Participants read and assessed one out of a list of 60 real cases of CPA which occurred between the years 1990 and 2018 (the majority of them between 2015 and 2018). They first read a description of the company and its activism. Then, participants reported their attitude towards the company, perceptions of company and statement attributes, and their demographics. To subsequently elicit predictors of participants' attitude towards the company, the authors applied ordinary least squares regression.

Getting the Most Out of Corporate Political Activism

As described above, stakeholders increasingly expect companies to engage in CPA but the risk of backlashes for these companies is high. By statisti-

cally ruling out other possible but ineffective predictors of company attitudes following CPA, the study identifies factors that are most important to stakeholders when they evaluate and respond to CPA. These factors reveal some of the contingencies that managers should consider if their companies' activism is to contribute to, rather than harm, business performance. These factors are summarized in Figure 1.

Alignment with Stakeholders' Political Views

Not surprisingly, our regression reveals that the degree to which the participant agrees with the company's political stand is a major predictor of subsequent reactions. This suggests that there is a great risk attached to statements that might go against the convictions of a majority of a company's stakeholders. On the other hand, companies who compellingly advocate for issues that their customers and employees care about, seem to have a chance of increasing support among their stakeholders.

Taking the Lead

Companies and CEOs may either proactively assume a leadership role on a political issue or follow the lead of other first movers. Consider the case of Siemens' Joe Kaeser, who called out a right-wing party in Germany as racist and anti-Islam; other German companies refused to answer Kaeser's calls for public support of his position (Hegmann, 2018). Kaeser subsequently received vast media attention containing both public praise and criticism. On the other hand, in 2016, over 80 CEOs collectively signed a letter urging the North Carolina general assembly to repeal a bill which was regarded anti-

LGBT (Human Rights Campaign, 2016). This diffusion of moral responsibility among activists reduces the attention paid to each company individually (Hambrick & Wowak, 2019).

Taking leadership on an issue can be a powerful means of differentiation. The survey results suggest that stakeholders seem to, on average, appreciate the additional risk of a company 'sticking its neck out'. Respondents who perceive a company as having been among the first to take a stand on a political debate issue more positive attitudes towards that company.

Thus, the findings advise companies to not shy away from taking leadership positions on political issues if part of their motivation is to enhance business performance. Doing so can both serve them directly by eliciting more positive stakeholder reactions, but also indirectly by inspiring other companies to follow suit, making their political case more forceful.

Being Consistent with Corporate Values

Anecdotal evidence as well as recent research suggest that avoiding corporate hypocrisy perceptions and ensuring consistency between words and deeds (Wagner, Lutz, & Weitz, 2009) as well as deeds and deeds (Scheidler, Edinger-Schons, Spanjol, & Wieseke, 2019) is key to ensuring positive stakeholder reactions to CSR activities. In the realm of CPA, consistency of a political stand with the core values of the company may just as well represent a crucial contingency. For instance, Patagonia, who has a track record of being attentive to its environmental impact, will likely be a more credible supporter of climate-friendly policies than a company who has previously been involved in environmental scandals.

The data suggests that, indeed, the perceived consistency of the activist statement with the overall firm values is associated with positive attitudes towards the company. For practitioners, this means that the issue as well as the manner and direction of engagement must be carefully chosen in light of a company's espoused values, its corporate culture and traditions, as well as prior activities. Companies ought to

> "We can't take on every issue … [but] business has a critical role to play and a moral obligation to do something."
>
> Levi-Strauss, CEO Chip Bergh

identify issues which match their corporate values and state motives which are consistent with their prior actions (e.g., their CSR strategy).

Ensuring Motive Transparency

As Simon Sinek (2011) proposed in his "Start with the Why", people often care less about what a company does than about the underlying motives. Anecdo-

tal evidence from past CPA exemplifies how ambiguous the motives of companies to engage in such statements can appear. For instance, the opposition of Donald Trump's Muslim travel ban by multiple CEOs in 2017 can arguably be justified not only ethically but also financially, as the ban reduces the ability to employ global talent. Indeed, Apple CEO Tim Cook explained his opposition by stating that the company "would not exist without immigration, let alone thrive and innovate the way we do", thus, openly addressing the relevance of immigration for Apple's success. Marc Zuckerberg, on the other hand, took a more personal stand in a Facebook post expressing his feelings of moral obligation towards immigrants and, particularly, refugees (Newmyer, 2017).

Past research indicates that stakeholders typically react more favorably to morally motivated social involvement (Groza, Pronschinske, & Walker, 2011; Yoon, Gürhan-Canli, & Schwarz, 2006). However, companies which openly admit their financial interests in a social cause may still receive positive stakeholder reactions (Forehand & Grier, 2003). In line with these previous findings, the study results support that transparency in motives, be they ethical or financial in nature, benefits an activist company. The more transpa-

Management Summary

A growing number of corporations and CEOs take stands on socio-political issues such as gun ownership or immigration. Based on an empirical study including 488 respondents assessing 60 real cases of corporate political activism of the last years, this paper explains how practitioners can maximize positive stakeholder reactions in doing so. Results indicate that by adopting a leadership position on a controversial issue in a way that is consistent with the company's values and by openly communicating the underlying motives, activist firms can garner their stakeholders' support.

Fig. 2: Perceived Controversiality of Different Socio-political Issues
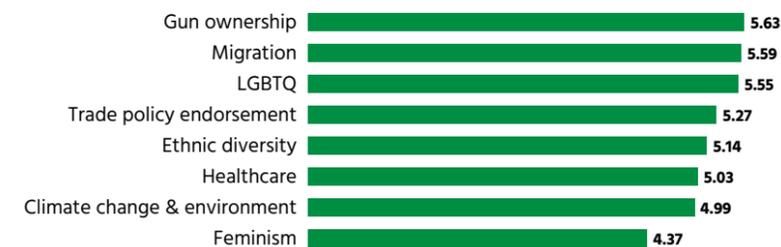
Note: bars denote average responses on a 7-point scale. Source: Own illustration.

Engaging in Controversial Issues

Although socio-political issues are generally controversial, they are not equally so. While topics such as gun ownership or migration evoke highly emotional debates among varying camps of society in the US, there is more convergence on topics such as climate change or gender equality. The same patterns are found in this study. Figure 2 orders the issue categories included in the study according to the degree to which participants viewed them as controversial. Interestingly, the data reveals a positive relationship between perceived issue controversy and attitudes towards the company.

The more controversial an issue is, the greater the risk to a firm that addresses it. This risk is at the core of why activism is revered as a most credible expression of corporate values (Hambrick & Wowak, 2019). Stakeholders may regard this activism as a signal that the company is morally courageous. The

rent a company is perceived regarding its motives, the more positive are participants' attitudes towards it. Practitioners should hence dare to openly state their claim in an issue – be it moral, economic, or both.

implication for practitioners is that there is little reason to shy away from the most controversial political issues. In fact, it may sometimes be beneficial to

be vocal about an issue on which society is divided. Stakeholders may appreciate the company's bravery and infer that the company must truly care about the issue if it is willing to take the risk.

Conclusion

This study set out to shed light on the emerging phenomenon of CPA. By reporting on evidence from a quantitative study, the authors first find that the most decisive determinant of stakeholder reactions is the extent to which stakeholders agree with the company's espoused position. As such, the first and foremost advice is to understand stakeholders' position on an issue before taking a side on it. Once having decided to engage in a socio-political issue, practitioners should choose a topic which is controversially discussed and take on a leadership role in addressing it. Moreover, the company should communicate the underlying motives transparently and be conscious about consistency with prior expressions of corporate values.

A note of caution is warranted. The participants in our study can best be understood as consumers. While current theorizing (Hambrick & Wowak, 2019) and experimental investigations (Burbano, 2020) of employee reactions to CPA reveal resemblance to those of consumers, the exact nature of these reactions is not yet sufficiently understood. Further, one could imagine that stakeholder groups such as suppliers or shareholders hold different expectations, e.g., regarding the additional risk related to leadership or controversy, as they have a more direct financial co-responsibility.

As such, our results most directly address marketing managers. For example, when designing an advertisement campaign, managers of a compa-

Main Propositions

1. The most decisive determinant of stakeholders' reactions to corporate political activism is the extent to which they agree with the company's espoused position.

2. Stakeholders appreciate companies taking stands on highly controversial topics and taking a leadership role when addressing them.

3. Consistency of the political statement with the core values of the company is a crucial contingency factor when stakeholders assess a company's stance.

4. Stakeholders care about the motives that lead a company to take a certain political stand.

ny with recent environmental scandals but good rankings in diversity might prefer taking a stand on issues such as LGBTQ equality rather than climate change to signal value consistency. In the campaign, the motives should be openly stated; if the company aims to attract more LGBTQ people, then this should be addressed – perhaps by inviting job applications. Further, the stand will be more effective if it comes shortly after a highly controversial event (e.g., a legislative decision) such as the RFRA mentioned in the beginning. In this case, the company should be among the first to react to establish itself as a leader. Following this advice when contemplating the inclusion of CPA in companies' marketing and public relations activities will allow managers to serve the cause as well as their business.

Lessons Learned

1. Companies should attempt to understand their stakeholders' position on an issue before taking a side on it.

2. In doing so, they should not shy away from highly controversial topics but dare to address them, even before other companies take a stand.

3. Before making a statement, companies should be mindful of its consistency with the company's values and prior actions.

4. Companies should transparently communicate the motives that led them to take a stand on a certain topic.

Literature

Bhattacharya, C. B., & Sen, S. (2003). Consumer–Company Identification: A Framework for Understanding Consumers' Relationships with Companies. Journal of Marketing, 67(2), 76–88. https://doi.org/10.1509/jmkg.67.2.76.18609

Burbano, V. (2020). The Demotivating Effects of Communicating a Social-Political Stance: Field Experimental Evidence from an Online Labor Market Platform. Management Science, Advance online publication. https://doi.org/10.1287/mnsc.2019.3562.

DellaPosta, D., Shi, Y., & Macy, M. (2015). Why Do Liberals Drink Lattes? AJS; American Journal of Sociology, 120(5), 1473–1511. https://doi.org/10.1086/681254

Edelman (2019, May 23). 2019 Edelman Trust Barometer. Retrieved from https://www.edelman.de/research/2019-edelman-trust-barometer

Forehand, M. R., & Grier, S. (2003). When Is Honesty the Best Policy? The Effect of Stated Company Intent on Consumer Skepticism. Journal of Consumer Psychology, 13(3), 349–356. https://doi.org/10.1207/S15327663JCP1303_15

Goldschmidt, U. (2018, May 26). Joe Kaeser kontert AfD - warum CEOs politisch werden müssen. Manager Magazin. Retrieved from https://www.manager-magazin.de/politik/deutschland/siemens-chef-kaeser-kontert-hassrede-der-afd-und-ist-vorbild-fuer-dax-ceos-a-1209455.html

Groza, M. D., Pronschinske, M. R., & Walker, M. (2011). Perceived Organizational Motives and Consumer Responses to Proactive and Reactive CSR. Journal of Business Ethics, 102(4), 639–652. https://doi.org/10.1007/s10551-011-0834-9

Hambrick, D. C., & Wowak, A. (2019). CEO Sociopolitical Activism: A Stakeholder Alignment Model. Academy of Management Review. Advance online publication. https://doi.org/10.5465/amr.2018.0084

Hegmann, G. (2018, July 10). Siemens-Chef fühlt sich im Kampf gegen die AfD alleingelassen. Retrieved from https://www.welt.de/wirtschaft/article179112692/Joe-Kaeser-Siemens-Chef-sieht-sich-im-Kampf-gegen-die-AfD-alleingelassen.html

Hillman, A. J., Keim, G. D., & Schuler, D. (2004). Corporate Political Activity: A Review and Research Agenda. Journal of Management, 30(6), 837–857. https://doi.org/10.1016/j.jm.2004.06.003

Hsu, T. (2019, March 12). Dick's Sporting Goods Shifts From Guns Even as Sales Suffer. The New York Times. Retrieved from https://www.nytimes.com/2019/03/12/business/dicks-sporting-goods-stock-gun-control.html

Hsu, T., Hautala, L., & D'Urso, W. (2012, August 1). Chick-fil-A fans and critics take to the streets. Los Angeles Times. Retrieved from https://www.latimes.com/archives/la-xpm-2012-aug-01-la-fi-chick-fil-a-day-20120802-story.html

Human Rights Campaign. (2016). More than 80 Major CEOs, Business Leaders Urge North Carolina Repeal Discriminatory Law. Retrieved from https://www.hrc.org/blog/breaking-more-than-80-major-ceos-business-leaders-demand-north-carolina-rep.

Khan, R., Misra, K., & Singh, V. (2013). Ideology and Brand Consumption. Psychological Science, 24(3), 326–333. https://doi.org/10.1177/0956797612457379.

Korschun, D., Aggarwal, A., & Rafieian, H. (2019). Taking a Stand: Consumer Responses to Corporate Political Activism. SSRN Electronic Journal. Advance online publication. https://doi.org/10.2139/ssrn.2806476.

Korschun, D., & Smith, N. C. (2018). Companies Can't Avoid Politics – and Shouldn't Try To. Harvard Business Review, 7. Retrieved from https://hbr.org/2018/03/companies-cant-avoid-politics-and-shouldnt-try-to.

Lux, S., Crook, T. R., & Woehr, D. J. (2011). Mixing Business With Politics: A Meta-Analysis of the Antecedents and Outcomes of Corporate Political Activity. Journal of Management, 37(1), 223–247. https://doi.org/10.1177/0149206310392233.

Nalick, M., Josefy, M., Zardkoohi, A., & Bierman, L. (2016). Corporate Sociopolitical Involvement: A Reflection of Whose Preferences? Academy of Management Perspectives, 30(4), 384–403. https://doi.org/10.5465/amp.2015.0033.

Newmyer, T. (2017). Trump's Immigration Ban Ruptures Truce with Business, as Tech Leaders Speak Out. Fortune, January 29. Retrieved from http://fortune.com/2017/01/28/tech-execs-criticize-trump-immigrant-ban/.

Peloza, J., & Shang, J. (2011). How Can Corporate Social Responsibility Activities Create Value for Stakeholders? A Systematic Review. Journal of the Academy of Marketing Science, 39(1), 117–135. https://doi.org/10.1007/s11747-010-0213-6.

Pressman, A. (2017). Apple CEO Tim Cook Receives More Praise for LGBT Rights Advocacy. Fortune, April 17. Retrieved from https://fortune.com/2017/04/17/apple-ceo-tim-cook-lgbt-free-speech/.

Scheidler, S., Edinger-Schons, L. M., Spanjol, J., & Wieseke, J. (2019). Scrooge Posing as Mother Teresa: How Hypocritical Social Responsibility Strategies Hurt Employees and Firms. Journal of Business Ethics, 157(2), 339–358. https://doi.org/10.1007/s10551-018-3788-3.

Sinek, S. (2011). Start With Why: How Great Leaders Inspire Everyone to Take Action. Paperback edition, Portfolio Penguin.

Wagner, T., Lutz, R. J., & Weitz, B. A. (2009). Corporate Hypocrisy: Overcoming the Threat of Inconsistent Corporate Social Responsibility Perceptions. Journal of Marketing, 73(6), 77–91. https://doi.org/10.1509/jmkg.73.6.77.

Yoon, Y., Gürhan-Canli, Z., & Schwarz, N. (2006). The Effect of Corporate Social Responsibility (CSR) Activities on Companies With Bad Reputations. Journal of Consumer Psychology, 16(4), 377–390. https://doi.org/10.1207/s15327663jcp1604_9.